

Page 1

1
2 FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
3 DEPARTMENT OF ENFORCEMENT

4 -----x
5 In the Matter of:

6 VINCENT CAMARDA

Matter Number:

7 Testimony of:

20190622649

8 JAMES McARTHUR

9 -----x
10 Witness: Via Zoom - New York
Reporter: Via Zoom - New York

11
12 January 18, 2022
13 10:12 a.m.

14 A P P E A R A N C E S:

15 For the Department of Enforcement:

16 REBECCA CARVALHO, ESQ., Senior Counsel
(Via Zoom - New Jersey)
17 JOSHUA WONG, Case Manager
(Via Zoom - California)

18 EVELINE CHEUNG, ESQ., Senior Paralegal
(Via Zoom - New York)

19 For the Witness:

20 WINGET SPADAFORA & SCHWARTZBERG LLP
One Southeast Third Avenue, Suite 1950
21 Miami, Florida 33131
22 BY: BENJAMIN BIARD, ESQ.
(Via Zoom - Florida)

PLAINTIFF'S
EXHIBIT

11

McArthur

did Mr. Pauciulo start representing you?

A. I don't remember the dates.

Q. Did you have a written

agreement with him or his law firm to represent you?

A. More than likely yes.

Q. Did Mr. Pauciulo also represent Mr. Camarda?

A. Yes.

Q. Did he also represent
Traderfield?

A. I believe so, yes.

Q. Did he also represent Mario Divita?

A. Yes.

Q. And he doesn't -- Mr. Pauciulo
doesn't represent you any longer, correct?

A. Correct.

Q. When did he stop representing you?

A. I don't recall the date.

Maybe 2000 -- I mean 2020 rather.

Q. You've mentioned today I think capital Fund. What is that?

1 McArthur

2 A. It's a private placement.

3 Q. Can we call that one AGM Fund

4 I --

5 A. Yes.

6 Q. -- for purposes of today?

7 What's your understanding of
8 what a private placement is?

9 A. It's an investment that is not
10 publicly traded, through a private
11 placement memorandum contract.

12 Q. What's your role with AGM Fund
13 I?

14 A. 10 percent owner.

15 Q. Did you help create AGM Fund I?

16 A. Through -- yes, through advice
17 from counsel.

18 Q. Does -- when was AGM Fund I
19 created?

20 A. Late 2018.

21 Q. Okay. I'm not --

22 A. I'm sorry. That's when it was
23 incorporated I believe.

24 Q. When AGM Fund I was first
25 formed, what if -- what was the -- what was

McArthur

the plan for -- excuse me, let me ask a better question. When AGM Fund was formed, what was AGM Fund I going to invest in?

A. Merchant cash advance company.

Q. And what are merchant cash
advance companies?

A. It is a company that lends to small, medium sized businesses traditionally for short periods.

Q. What if any experience did you have with merchant cash advance companies prior to AGM Fund I?

A. I did not have personal experience with merchant cash advance companies.

Q. Where did the idea to invest in merchant cash advance companies come from?

A. A discussion with Vincent Camarda.

Q. What did he say to you?

A. It was a company that had stated that they are looking to raise capital.

Q. Anything else did

1 McArthur

2 Mr. Camarda --

3 A. I don't recall the original
4 conversation. But it was -- it was -- he
5 had brought it to my attention.

6 Q. You mentioned a company. Was
7 there a particular company that Mr. Camarda
8 brought to your attention?

9 A. Yes.

10 Q. What company was that?

11 A. Complete Business Solutions
12 Group.

13 Q. Okay.

14 A. CBSG.

15 Q. CBSG? Is that also known as
16 Par Funding?

17 A. Yes.

18 Q. So Mr. Camarda, he first brings
19 the idea of investing in CBSG to you. What
20 if anything did you do after that?

21 A. Well, through the process we
22 did our due diligence, we had hired
23 counsel, created the private placement,
24 contacted our broker-dealer all along the
25 way, submitted all the information that

McArthur

A. I think it was a little later than that. I think it was sometime in October.

Q. So we have fall of 2018?

A. Yes.

Q. Were there any other entities associated with AGM Fund that were formed around the same time?

A. No.

Q. Did you form any sort of manager for AGM Fund I?

A. Yes. Oh. Yes. So there is a manager. So each -- AGM Fund I has a manager corporation associated to it.

Q. Can you generally explain how the AGM Fund works in terms of getting money from investors and what happens to that money?

A. Sure. And that is one of the reasons why we have it separate.

So an investor wants to invest. The principal is invested with AGM Capital Fund itself. There's a separate bank account associated with that.

McArthur

There's -- at that time we had two cycles, the 10th of every month and the 25th of every month. So as an example, just prior to the 10th of the month if there were three investors that wanted to invest, it was a total of \$200,000, that would be -- that 200,000 would be wired for the 10th cycle to CBSG. Then each month that interest comes in, the interest comes into the fund itself. And the interest that goes to the clients, the investors, gets distributed directly from AGM Capital Fund's bank account. And if they had a redemption the principal would come into that account and then gets distributed to the investor.

So the AGM Capital Fund essentially, with the exception of say wire fees, it's really just principal in, principal out, interest in, interest out.

Q . Okay .

A. Any difference goes over to the manager, which is associated to any type of distributions, expenses and so on.

McArthur

Q. When you say difference, difference between what?

A. The gross --

Q. Hold on.

A. Do you want me to hold on?

Q. If you could just give me one second.

(Pause.)

A. So if we are receiving 18 percent and then the investor is to receive 12 percent, that 6 percent difference is what we call the spread. That spread goes over to AGM Capital Fund Manager.

Q. So basically when investors invest in AGM Fund I, do they do that through a promissory note?

A. **Correct.**

Q. And the promissory note has a particular interest rate associated with it

A. Yes.

Q. And the interest rates available to investors are set forth in that private placement memorandum?

A. Yes.

1 McArthur

2 Q. Who decided the interest rates
3 that would be available to the investors?

4 A. Vincent and I had discussed
5 the interest rate.

6 Q. And so, for example, in AGM
7 Fund I the interest rates are -- were 12
8 percent, or 14 percent if it was over
9 a million dollar investment, generally
10 speaking?

11 A. Yes, correct.

12 Q. How did you and Mr. Camarda
13 arrive at those percentages?

14 A. Well, we wanted a -- a nice
15 interest rate for our clients. So we
16 wanted to be able to pass on what we felt
17 was a reasonable interest rate to
18 investors.

19 Q. And AGM Fund I enters into an
20 agreement with CBSG when it gives money to
21 CBSG, correct?

22 A. Yes.

23 Q. And that agreement also has an
24 interest rate associated with it, correct?

25 A. Yes.

McArthur

Q. And it -- was it always 20 percent, or what was the percentage of that promissory note with CBSG?

A. I believe it was always 20.

Q. And how did that figure get determined?

A. I'm assuming it was just through negotiations with CBSG.

Q. Did you have any role in that?

A. **No.**

Q. Okay. You said that when you were -- when you and Mr. Camarda decided on the interest rates for AGM I you were looking to provide what you thought was a reasonable rate.

A. And a --

Q. What was the -- sorry?

A. And a competitive rate.

Q. And a competitive rate. What were the -- sorry, I didn't mean to interrupt you.

A. A competitive fixed interest rate.

Q. What were the factors or pieces

1 McArthur

2 of information that you considered in
3 determining whether it was reasonable and
4 competitive?

5 A. It was just -- again, this is
6 with -- this is according to my
7 recollection. But it's just other
8 investments that are out there at the time.
9 There's guaranteed living benefits on
10 annuities, CD rates, money market rates,
11 participating in the market and average
12 rates of return. So it was looking at
13 everything that -- that, you know, we saw
14 as far as other investments to choose from.

15 Q. And did you memorialize or keep
16 copies of any of this research that you did
17 in determining how to set the interest rate
18 available to investors?

19 A. No.

20 Q. Did you consider whether what
21 you're calling the spread that was earned
22 was reasonable or appropriate?

23 A. That was what we had expected
24 as far as -- yes, we thought it was
25 reasonable.

McArthur

Q. And what was your basis for thinking that?

A. Just what we thought would be the expenses of running the funds. You know, compensation as well.

Q. What were the expenses in running the funds?

Sorry. When you say funds, are you saying funds because we've been talking about generally AGM Capital Fund I, but you and Mr. Camarda have since created other private placement funds, correct?

A. **Correct.**

Q. Okay.

A. So in this response it would be the fund itself, AGM Capital Fund I.

Q. So what were the expenses of
AGM Capital Fund I?

A. It is, you know, attorney's fees, accountant fees and expenses, salaries, utilities, insurances.

Q. Whose salaries?

A. Staff. AGM Financial Advisors
Which is the same people. They

C E R T I F I C A T E

STATE OF NEW YORK)

: ss . :

COUNTY OF NEW YORK)

I, SHIRLEY TANNENBAUM, a Shorthand
Reporter and Notary Public of the State of New
York, do hereby certify:

That the within is a true and accurate transcript of the proceedings taken before the FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) on the 18th day of January, 2022.

I further certify that I am not related to any of the parties to this action by blood or marriage and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my
hand this 8th day of February 2022.

Shirley Jennerhan

SHIRLEY TANNENBAUM